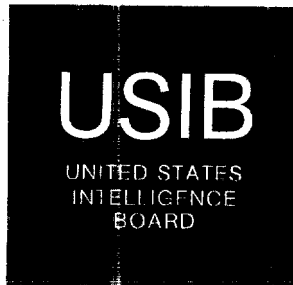


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LATE ITEM (0345 EDT)

Bolivia

Late press reports from La Paz indicate that some dissident military units may have revolted against the Banzer government. A presidential spokesman is reported to have said that the palace guard has been ordered to vacate the premises within the hour. President Banzer, meanwhile, is in Sucre some 360 miles southeast of the capital. [REDACTED]

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GREECE-TURKEY

Ankara's withdrawal of its "research" ship from the contested areas of the Aegean Sea has further diminished chances of a confrontation. A Turkish foreign ministry official announced publicly yesterday that the ship has "completed its mission" and is returning to Turkish waters with its naval escort. The official said that Ankara would soon respond to the Greek note of May 25 in which Athens stopped short of agreeing to negotiate the seabeds issue, but suggested that some basis for discussion might be possible. The Turkish official added that Ankara would seek to resolve problems in a spirit of "mutual understanding," but would defend its rights to the "bitter end."

Athens is resting its stand on the rules of international law, which from its viewpoint endorse the Greek position on the contested median line. A Greek minister noted in a public speech on June 1 that Greece understands the need to cooperate with Turkey but would not permit threats to its territorial integrity.

The US consul in Thessaloniki reported on June 3 that military movements were continuing in northern Greece, but observed that the alert was being eased. Turkish forces also are presumed to be in an advanced stage of readiness, but somewhat relaxed from the alert levels set late last week. [REDACTED]

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CAMBODIA

Phnom Penh is calm in the wake of violence triggered by student agitators. The police have imposed an extended curfew and have managed to disperse without incident crowds at the high school where the minister of education and a presidential aide were killed by students yesterday. In a further attempt to defuse the situation, Prime Minister Long Boret announced that schools will suspend classes for three days starting today. Many students have been arrested, but a few apparently are still holed up in the high school. At least six students have been killed or wounded.

The students who seized the two government officials at the Ministry of Education planned to exchange them for nine students and teachers recently detained by police on grounds of subversive activity. It now appears that the officials were shot by their captors when police stormed the high school.

The bloodshed yesterday has its roots in the students' and teachers' long-standing discontent with the government's performance. During the past year, teachers have staged strikes, public protests, and a work slowdown to dramatize their demands for higher wages. The teachers were joined on occasion by students protesting such familiar grievances as the government's failure to reduce corruption and inflation. The confrontation on June 4 was preceded by several days of small-scale and orderly student demonstrations.

The students' use of such unprecedented extreme measures may generate public sympathy for the government. At the same time, however, the killings may inspire opportunistic critics within Lon Nol's dominant Socio-Republican Party to increase their attacks on Prime Minister Long Boret for failing to curb the unrest sooner.

If the government overreacts, more violence may result. The government thus far has tended to use restraint when possible in dealing with student-teacher unrest. Lon Nol, in particular, has been concerned about getting into any confrontations with the students and teachers that could lead to massive disorders. In the long run, however, the government probably will still not be able to do much about redressing the grievances that generated the bloodshed.

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MOZAMBIQUE

Talks between the Portuguese and leaders of the insurgent movement in Mozambique open today in Lusaka, Zambia. Both sides will probably concentrate on setting forth basic positions in preparation for more detailed discussions at a later date.

The insurgent leaders are likely to take a tough stance. In a press conference in Dar es Salaam on June 2, Samora Machel, president of the Front for the Liberation of Mozambique (FRELIMO), stated that his organization will insist that the talks concentrate on the means of transferring political power "to the Mozambican people, under the leadership of FRELIMO." The insurgents consistently have argued that independence is a right of the people in the territory, and is not subject to negotiation. Lisbon continues to hold out for a popular referendum that would determine whether the people desire independence or federation with Portugal. In recent weeks, however, it has become apparent to the Portuguese that the latter alternative is increasingly unrealistic.

The insurgents are in a good bargaining position, largely because of their strong military situation. Since the first of the year, they have extended their operations into central Mozambique, an area of heavy white settler concentration. The settlers have protested inadequate government security measures and fear that Lisbon intends to pull out its troops and turn the area over to the insurgents.

In recent weeks, unrest among whites has also spread to the capital of Lourenco Marques, an area that has not been touched by the insurgency. The situation there has been aggravated by labor agitation, signs of growing support for the insurgents among the African population, and Lisbon's long delay in appointing a new governor general for the territory.

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Lisbon is likely to hold out for gradual political change in the territory. The Portuguese, however, may be forced to meet the front's demands for early recognition of an independent Mozambique or risk intensified insurgency.

The insurgents seem to realize they have a better chance of achieving their demands through negotiation rather than in a popular referendum. Because they have concentrated on military activity for more than a decade, they have virtually no political organization and few politically or technically experienced people capable of mounting a political campaign. [REDACTED]

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CANADA

Canada's disillusionment with its involvement in India's nuclear program is causing some rethinking in Ottawa about the usefulness of nuclear safeguards.

In light of India's recent atomic explosion, some Canadian officials concerned with industry, trade, and atomic energy are arguing that "safeguards are an exercise in futility whether conducted bilaterally or by the International Atomic Energy Agency (IAEA)." This group also asserts that commercial considerations should be paramount in decisions regarding nuclear cooperation. A more influential group, including the External Affairs Ministry and some officials of Canada's Atomic Energy Control Board, on the other hand, continues to believe that safeguards are imperative, despite the Indian development.

The Canadian government believes that the plutonium used in the Indian test device came from the Cirus research reactor Canada provided India under a 1956 agreement. Although the agreement was concluded before the international safeguards system was established, subsequent efforts by the Canadians to bring this facility under IAEA controls were rejected by New Delhi.

Some Canadian experts believe that even safeguarded Indian reactors probably contributed to the production of the weapons-grade fissionable material required for the explosion. Although this view may be erroneous, it strengthens the contention of critics of safeguards that an effective detection program cannot be assured because of staffing and technical inadequacies, even when safeguards are in force.

Canada has reacted sharply to the Indian test and has taken a number of initiatives to translate into action its dismay over the effect of the test on nuclear proliferation. The Canadians last year ruled out new contracts to ship fissionable materials to India. They

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have now canceled all such shipments. They have also called on the committee of nuclear exporting countries, when it reconvenes in Geneva, to consider how best to minimize damage to the Non-Proliferation Treaty and to discourage other states from following the Indian example. The Canadians continue to question the "muted" US response to the Indian test.

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PERU

The split between the army and the navy, occasioned by the forced resignation last week of Navy Minister Vargas, has widened with the resignation of two more cabinet-level admirals. President Velasco remains secure, however, with all important army troop commands apparently still loyal to him. The split between the services and between the so-called moderates and radicals in the cabinet is likely to have important long-range effects on the style and pace of the six-year-old, military-led revolution.

Yesterday, the housing minister and the director of the national integration office resigned, apparently in protest against Vargas' retirement. Admirals have already been named to replace them, avoiding a more serious split that could have arisen had Velasco placed army generals in either slot.

Radical army generals, some of whom reportedly urged Velasco to take strong measures against his critics, have gained at least a temporary increase in influence. Although Velasco has apparently determined that military unity is no longer crucial to the success of the revolution, any decisions by top-level moderate army officers to disassociate themselves from the President could precipitate an important shift in Velasco's strategy. If this were to happen

and if Velasco were to accept their departure, the regime probably would shift leftward and become much more authoritarian. It appears, however, that the moderates will await further developments and assess how much power the radicals have gained before deciding on a course of action.

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An unknown element at this time is Prime Minister Mercado, with whom Velasco has deep personal and political differences. Velasco's successful power play against Vargas sets an important precedent for ousting the Prime Minister. Mercado--who is scheduled to retire next January--may now feel that he must make a move against Velasco soon or risk being permanently shut out. A further problem for Velasco lies in the fact that the new navy minister, Vice Admiral Arce, appears ready to challenge the President's more radical policies, as did his predecessor.

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USSR-JAPAN

Moscow and Tokyo are trying to still some of the controversy touched off last week by press reports on Soviet Oil Minister Shashin's remarks on foreign participation in developing Siberian resources. Moscow, in particular, has hailed the signing on June 3 of a coking coal development agreement as the beginning of large-scale and long-term economic cooperation. The accord will eventually provide Tokyo with an opportunity to purchase \$8 billion of coking coal in return for \$450 million in credits for Soviet purchases of Japanese steel and machinery.

Several Western newspapers gave the impression that Shashin had ruled out further Western and Japanese participation in the development of Siberian gas and oil resources. The Soviet ambassador in Tokyo immediately stated, however, that Moscow's attitude toward Siberian development projects had not changed. Tass then issued a statement reaffirming development talks with all countries--particularly Japan. The Japanese press also declared that Shashin's statements were not accurately interpreted, and that the Soviets may be prepared to sell more--and not less--oil to Japan. It appears, therefore, that neither Moscow nor Tokyo has lost interest in the exploration of offshore oil deposits along the Sakhalin Island continental shelf.

Nevertheless, Shashin's comments are another indication that the Tyumen oil development project is dead, and that certain Soviet circles believe it is necessary to take a tough line in dealing with the Japanese on other Siberian projects. The Japanese have been losing interest in the Tyumen deal as the estimates for the oil to be made available to Japan went down and the price per barrel increased. The Soviet suggestion several months ago that Japan help finance an expensive second Siberian railroad to carry the oil--rather than transport it by pipeline--dampened any remaining Japanese enthusiasm for the project.

Shashin's remarks appear to reflect an argument that has appeared prominently in the USSR, that Siberian resources--particularly oil--should be developed to satisfy

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growing domestic demand rather than for export. Shashin reiterated the recent Soviet line that exports of oil, in any event, would not be increased during the 1970s. [redacted]

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THAILAND

The leadership crisis last month has spurred high-level moves to speed up the process of holding elections, currently awaiting promulgation of a new constitution. Concern is mounting that further drifts under a caretaker government in the face of serious economic and social problems will bring recurring political turmoil.

King Phumiphon reportedly favors setting the election process in motion by shelving the draft constitution currently under review in the National Assembly and adopting one of the earlier constitutions. Army chief Krit Siwara, the chief power broker behind the scene, has come out publicly for such a scheme. The Bangkok press has also gone on record with editorials urging rapid promulgation of the draft constitution so that elections can take place this fall.

In response to this pressure, Prime Minister Sanya has set a rough timetable which holds that the draft now before the assembly can be completed as early as August and that elections can be held in September or October. By Sanya's timetable, an elected government could take office no later than December.

Besides promulgating a constitution, several important measures must be adopted before the election process can begin in earnest. The assembly has yet to pass a bill authorizing political parties; a military decree banning such activity is still on the books. The assembly must also decide how the prime minister will be selected, although most Thai currently favor some form of parliamentary system. National Assembly speaker Khukrit Pramot remains the current frontrunner to succeed Sanya after elections. [redacted]

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SOUTH VIETNAM

During the past three months of increased Communist ground operations throughout South Vietnam, South Vietnamese air force (VNAF) tactical missions have increased from 50-100 percent in response to these initiatives. VNAF air strikes against Communist supply routes in the western highlands in early 1974 had some success.

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While the above activity was generally occurring in MR 1 and MR 2, the South Vietnamese air force was supporting ground operations reacting to Communist initiatives in MRs 2 and 3. Between March 28 and May 2, for example, over 3,000 tactical air sorties were conducted near the Cambodian border in the Parrot's Beak area, resulting in over 250 troops reportedly killed, 51 secondary explosions, and numerous artillery sites claimed to have been destroyed.

Although VNAF operations have increased in response to Communist initiatives, several problems are impairing their effectiveness. Ever-present Communist air defense regiments comprising an SA-2 regiment in MR 1 and 22 anti-aircraft regiments throughout the country continued to pose a threat, and their presence kept certain areas free of VNAF overflights. A recent development has been the increased effectiveness of the SA-7 missile against close support aircraft. During the past 18 months, the Communists have maintained an effective SA-7 fire-to-kill ratio--only five missiles to one shootdown--with the high percentage of firing incidents taking place in the area west-northwest of Saigon. These factors have forced attacks

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from higher altitudes, which reduce the effectiveness of the air force in both bombing and close support roles. This development has caused the South Vietnamese field commanders in MRs 1, 2, and 3 to criticize air force support of their ground units.

Recent cuts in the US proposed military aid to South Vietnam, coupled with shortages of spare parts for specific aircraft and the increased cost of aviation fuel, have all imposed restraints upon air division commanders' abilities to respond to air support requests.

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Morale of air units, like that of other South Vietnamese forces, has also been adversely affected by the country's economic conditions. Air commanders continue to cite inflation, specifically spiraling food prices, as seriously lowering morale. They note that when pilots and aircraft maintenance personnel are deployed to air bases away from their families, the out-of-pocket costs to these servicemen for daily sustenance doubles. As a result, pilots and aircrews attempt, when possible, to "moonlight" during their off-duty hours.

One positive note is the recent introduction of a bombing system which relies on a ground-placed beacon to assist aircraft in locating targets and bombing from safer altitudes, curtailing combat losses. Although this system cannot be used effectively in close support missions, it should to some extent nullify the effectiveness of the SA-7 missile against VNAF aircraft in area bombing missions.

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EGYPT-USSR

The Egyptian minister of electricity has signed an agreement in Moscow calling for Soviet technical assistance in developing a high dam electric power station, the reopening of the Suez power station, and the electrifying of barges on the Nile River [REDACTED]

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The agreement shows Moscow's willingness to continue its economic aid program in Egypt, despite problems between the two countries over military assistance. No new Soviet credits were reported but some financing could develop if the new projects are implemented. Moscow's last credits to Cairo, extended in 1971, were for \$195 million. [REDACTED]

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